

April 9, 2021

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket No. 5096 - 2021 Renewable Energy Standard Procurement Plan Supplemental Testimony

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed, please find the Company’s Supplemental Testimony of James Ruebenacker for filing in the above-referenced docket.

The purpose of the Supplemental Testimony is to seek express approval by the Public Utilities Commission (“PUC”) of the proposed modifications to the Company’s Renewable Energy Standard Procurement Plan (“RES Plan”) for 2020 and to provide additional evidence supporting this request for approval. Specifically, the Company seeks two approvals:

- Approval to modify the 2020 RES Plan as requested by the Company, which includes the use of online broker platforms for transactions, updates to the purchase, sales, and banking strategies, and changes to the transfer price methodology for the fourth quarter of 2020; and
- Approval of the Company’s proposed valuation methodology in the event that the Company banks RECs that it considered selling for both 2020 and 2021.

Thank you for your attention to this filing. If you have any questions or concerns, please do not hesitate to contact me at 401-784-4263.

Sincerely,



Andrew S. Marcaccio

cc: Docket 5096 Service List
John Bell, Division
Jon Hagopian, Esq.

SUPPLEMENTAL TESTIMONY

OF

JAMES RUEBENACKER

April 9, 2021

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1 **I. Introduction**

2 **Q. Please state your name.**

3 A. My name is James Ruebenacker.

4

5 **Q. Have you previously submitted testimony in this proceeding?**

6 A. Yes. I submitted pre-filed direct testimony in this proceeding on December 11, 2020 in
7 support of the Company's Renewable Energy Standard Procurement Plan for 2021
8 ("2021 RES Plan").

9

10 **II. Purpose of Testimony**

11 **Q. What is the purpose of this supplemental testimony?**

12 A. The 2021 RES Plan was filed on December 11, 2020 in this docket and was approved by
13 the Rhode Island Public Utilities Commission ("PUC") at an Open Meeting on March 29,
14 2021. My direct testimony dated December 11, 2020 included a request to approve
15 modifications to the 2020 Renewable Energy Standard Procurement Plan ("2020 RES
16 Plan") to reflect the proposed modifications included in the 2021 RES Plan.¹ The
17 Company is unsure whether the PUC's approval of the 2021 RES Plan included approval
18 of the modifications to the 2020 RES Plan. The purpose of this testimony is to seek
19 express approval by the PUC of the proposed modifications to the 2020 RES Plan and to
20 provide additional evidence supporting this request for approval. Additionally, the

¹ See [http://www.ripuc.ri.gov/eventsactions/docket/5096-NGrid-2021%20RES%20Plan%20\(12-11-2020\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/5096-NGrid-2021%20RES%20Plan%20(12-11-2020).pdf) at testimony Page 21 of 21, starting on Line 6.

1 Company is including, for approval, a proposed valuation methodology in the event that
2 it banks Renewable Energy Certificates (“RECs”) that it intended to sell.
3

4 **III. Proposed Modifications to 2020 RES Plan**

5 **Q. What would the Company like the PUC to expressly approve?**

6 A. The Company seeks two approvals:

- 7 • Approval to modify the 2020 RES Plan as requested by the Company, which includes
8 the use of online broker platforms for transactions, updates to the purchase, sales, and
9 banking strategies, and changes to the transfer price methodology for the fourth
10 quarter of 2020; and
- 11 • Approval of the Company’s proposed valuation methodology in the event that the
12 Company banks RECs that it considered selling for both 2020 and 2021.
13

14 **Q. Will approval by the PUC of the two items listed above impact the RES Charge that
15 was recently approved by the PUC at an Open Meeting on March 29, 2021?**

16 A. No.
17

18 **Q. What would be the benefit of amending the 2020 RES Plan for Last Resort Service
19 (“LRS”) customers?**

20 A. According to Section 2.8 D(2) of the Rules and Regulations Governing the
21 Implementation of a Renewable Energy Standard, 810-RICR-40-05-2, effective

1 January 1, 2006 (with technical revision effective July 25, 2007), the Company is allowed
2 to bank 30% of the New RES Obligation for a compliance year in order to satisfy the
3 RES requirement over the following two years. The Company's 2020 RES Plan requires
4 it to bank the full number of RECs each year, even though it may not be financially
5 advantageous, and sell RECs that exceed the 30% banking allowance. The Company has
6 a supply of 2020 New RECs from Long-Term Renewable Contracts and the RE Growth
7 Program equal to its full potential bank of 30%. This means that LRS customers will
8 essentially pay 2020 REC prices for 2021 RES compliance for any banked RECs.

9
10 The approved 2021 RES Plan allows the Company to sell New RECs that could be
11 banked if the current year's price is higher than the next year's price. The 2020 market
12 price (provided by environmental brokers) is approximately \$3 higher than the 2021
13 market price. Modifying the 2020 RES Plan to allow the Company to sell, rather than
14 bank, RECs should reduce the costs to comply with the 2021 RES for LRS customers
15 because the Company would not use higher-priced 2020 RECs for 2021 RES compliance.

16
17 **Q. Do the proposed modifications impact the revenue credited to the LTC Recovery**
18 **Factor and the RE Growth Factor for all distribution customers?**

19 A. Yes. Selling RECs, rather than banking them, will result in market-priced revenue from
20 third parties as opposed to market-priced revenue from LRS customers. However, as

1 described in my direct testimony² there may be minimal impact to the revenue credited to
2 the LTC Recovery Factor and the RE Growth Factor. The 2021 RES Plan utilizes the
3 average market prices methodology which is different from the average sales price
4 methodology (which is used in the 2020 RES Plan). REC sale prices may be higher or
5 lower than the transfer price calculated with the average market price methodology for
6 LRS customers and therefore different revenue may occur.

7
8 **Q. Is it possible that the Company does not sell RECs to lower its banked amount to**
9 **the 5% banked allowance?**

10 A. Yes. In any market, if new supply is offered and the demand remains the same, then
11 prices may decrease. This may occur as the Company sells these 2020 RECs. If 2021
12 REC prices remain stable, then the difference between 2020 and 2021 prices may become
13 smaller if the Company's sales of 2020 RECs puts downward pressure on 2020 prices,
14 removing the financial benefit of selling any remaining 2020 RECs. Another possibility
15 is that market liquidity may decrease as the Company sells these 2020 RECs. It is
16 possible that the number of buyers will decrease as the fourth quarter progresses.³

17
18 **Q. What happens if the Company does not sell RECs to lower its banked amount to the**
19 **5% banked allowance?**

20 A. The 2021 RES Plan states the decision to bank or sell RECs will be made immediately

² See Id. at testimony Page 20 of 21 starting on Line 11.

³ The NEPOOL-GIS fourth quarter trading period is from 4/15/2021 to 6/15/2021.

1 following the procedure to establish market costs for the fourth quarter RES obligations.⁴
2 That will be on or about April 30, 2021. At that time, the Company's transfer price
3 methodology will charge LRS customers for its remaining 2020 New RES obligation and
4 also RECs equal to 5% of its banking allowance. As described in the testimony, the
5 Company will determine the actual value of these RECs by using available current
6 market information, such as broker information or published REC indices. On a
7 quarterly basis, the Company will obtain market prices for a period of ten business days
8 before the opening of the NEPOOL GIS trading period and ten business days after.⁵
9

10 In its response to the Division of Public Utilities and Carriers' ("Division's") First Set of
11 Data Requests in this docket, the Company mentions the possibility that the final banking
12 percentage may be between 5% and 30% if the Company is not able to sell all of its
13 RECs.⁶ However, in the response the Company did not propose a valuation methodology
14 for any RECs that it does not sell. If the Company cannot sell RECs to the banked
15 amount of 5% because of market liquidity, or if the market prices decrease and the
16 financial incentive to sell RECs is removed, then the Company will bank the RECs for
17 2021 compliance to prevent them from expiring worthless.
18

19 The Company proposes to use a similar transfer price methodology to establish the value

⁴ See [http://www.ripuc.ri.gov/eventsactions/docket/5096-NGrid-2021%20RES%20Plan%20\(12-11-2020\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/5096-NGrid-2021%20RES%20Plan%20(12-11-2020).pdf) at testimony Page 16 of 21, starting on Line 4.

⁵ See Id. at testimony Page 18 of 21 starting on Line 17.

⁶ See the Company's response to Division 1-7 (g).

1 of these additional banked RECs. LRS customers will be charged a new transfer price for
2 RECs that are in excess of the 5% banked which have already been valued. This transfer
3 price methodology will be for a period of ten business days prior to the decision to bank
4 rather than sell, and ten business days after. For example, if prices decrease and on
5 May 15, 2021 the Company decides there is no longer a financial advantage to sell, the
6 Company will obtain market prices for ten business days before May 15, 2021 and ten
7 days after. The new average market price will be the transfer price for any banked RECs
8 above the 5% that had already been banked. If ten business days after the decision date
9 are not available, the Company will use available data for the smaller time period.

10
11 **Q. Why should there be a new transfer price created for these RECs?**

12 A. This new transfer price is fair to both LRS and distribution customers. If REC prices
13 decrease and it is no longer financially advantageous to sell RECs, then it would be unfair
14 to charge LRS customers the previously calculated transfer price which reflects outdated
15 market prices. Utilizing updated market prices to create a transfer price for RECs banked
16 above the 5% threshold is also fair to distribution customers because the revenues reflects
17 what the RECs are worth if the Company sold them in the market.

18
19 **Q. Do you propose adding this transfer price methodology for banked RECs that the
20 Company could not sell to the 2020 RES Plan and 2021 RES Plan?**

21 A. Yes.

1 IV. Conclusion

2 Q. Does this conclude your testimony?

3 A. Yes.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

April 9, 2021

Date

**Docket No. 5096 - National Grid – 2021 Renewable Energy Standard (RES)
Procurement Plan
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